



State of Vermont  
Department of Finance and Management

Guide to the Cash Management Improvement Act  
Treasury/State Agreement (TSA)

FY 2012

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This guide was created for the purpose of explaining the contents of and processes behind Vermont's FY12 Treasury-State Agreement (TSA). It should be used as a reference guide for the State of Vermont's agencies and departments that have federal programs covered by the TSA in that it both explains the provisions of the TSA and describes the funding techniques to be used for all programs. This document is not intended to replace the TSA itself and if any discrepancies are found between it and the TSA, the TSA will prevail. For easy reference, all sections of this manual directly correspond to sections in the Treasury-State Agreement.

## Overview

The Cash Management Improvement Act (CMIA) is a federal regulation created for the purpose of ensuring "greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States." The spirit of CMIA is that states will draw in federal funds when they are needed; they will not draw in early and gain interest on the funds, nor will they draw in late and pay out their own funds for federal purposes.

Efficiency – minimizing the time between the transfer of funds to the State and the payout of those funds for program purposes. (i.e. The State should draw in funds on the exact day that they are paid out which is the day they leave the State's bank.)

Effectiveness – ensuring funds will be available when requested. The TSA, also called the CMIA agreement, specifies how and when funds will be transferred under major Federal assistance programs.

Equity – compensating the party that is "out-of-pocket" when funding a Federal program. In general, interest is due to the State if it must use its own funds for program purposes when there is valid federal obligational authority. Interest is payable by the State for the time the State holds Federal funds in its account prior to its disbursement for program purposes.

CMIA regulations require each state to enter into a Treasury-State Agreement with the US Treasury and to submit an annual interest report. The TSA is a means of quantifying drawdown procedures and interest calculation techniques for all of Vermont's major programs. The annual interest report is compiled in December each year which results in an exchange of interest with the US Treasury for CMIA programs. The basis for the interest report is the terms of the TSA and essentially, if the terms are not met, an interest liability is created. This document explains each section of the TSA and provides information pertaining to the unique terms of Vermont's agreement.

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## 1.0 Agents of the Agreement

The TSA must specify who the authorized officials are for both the State and for the US Treasury. These authorized officials are also the signatories of the document. (See section 12.)

1.1 The authorized official for the State of Vermont is the Commissioner of Finance & Management, James Reardon.

1.2 The authorized official for the U.S. Department of the Treasury is the Assistant Commissioner, Federal Finance, of the Financial Management Service (FMS), Kristine S. Conrath.

In addition to the authorized officials, each state must designate a CMIA Coordinator. This individual is the State's liaison with the US Treasury and is responsible for submitting the TSA and interest report annually. The US Treasury also designates a contact in its FMS division to be the main point of contact for each state. All communication between the State and US Treasury occurs between these two individuals. Questions about CMIA or the TSA should be directed to Vermont's CMIA Coordinator in the Financial Operations Division of the Department of Finance & Management (F&M). (Please contact Vermont's CMIA Coordinator and not the US Treasury contact directly.) If a program has a status change or requires a new funding technique for one

or more of its components as the year progresses, please notify the CMIA Coordinator as soon as possible and an amendment will be filed if determined necessary.

Vermont's CMIA Coordinator – Karen Jaquish, Statewide Reporting Analyst; Phone: (802) 828-3201; Email: [karen.jaquish@state.vt.us](mailto:karen.jaquish@state.vt.us)

US Treasury Contact – Connie Kitchings, FMS Analyst; Phone: (202) 874-6738; Email: [connie.kitchings@fms.treas.gov](mailto:connie.kitchings@fms.treas.gov)

## 2.0 Authority

2.1 The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Act of 1992 (Public Law 102-589), codified at 31 USC 6501 and 31 USC 6503.

2.2 The Cash Management Improvement Act is also codified at 31 CFR Part 205. The entire code can be accessed at <http://fms.treas.gov/fedreg/31cfr205final.pdf> in PDF format. For additional background information on CMIA, you can also browse the FMS CMIA website at <http://fms.treas.gov/cmia/index.html>.

## 3.0 Duration, Amending and Terminating Miscellaneous Provisions

3.1 This agreement shall take effect on July 1, 2011 and shall remain in effect until June 30, 2012.

Therefore, all covered program drawdowns must follow the TSA specifications for all of SFY 2012. The TSA is in effect for one year only and must be updated each fiscal year. Each year's TSA is considered an amendment. The bulk of the TSA remains the same from year to year, but annual updates include setting the new threshold, adding new programs that rise above the threshold, and removing any programs that no longer qualify as a major federal program. The TSA must be resubmitted electronically to the US Treasury using their database (CMIAS) in time to be approved prior to the State's fiscal year beginning date of July 1. For this reason, FMS has set a deadline of 30 days after the publication of the State's single audit report for submission of the following year's amendment. Therefore, the TSA is due to FMS on April 30 if the single audit report was published on March 31.

There were several program changes reflected in the 2012 TSA, primarily due to the influx of ARRA funding which increased the threshold significantly. The following is a summary of the major changes reflected in the 2012 TSA:

- Four programs fell below the threshold and they have been removed from the TSA.
- Two programs that had been covered in prior years once again rose above the threshold due to large amounts of ARRA funding in 2010 and they were added to the TSA.
- For the first time, three programs fall into Section 4.4 – Program Exclusions. These programs had expenditures in excess of the threshold, but they are ARRA programs and their award period is ending and the remaining award amount is/will be well below the threshold when the 2012 TSA takes effect. (See Section 4.4 for more information about these exclusions.)
- The FHWA check clearance pattern was required to be recalculated for the 2012 TSA, but the results of this recalculation did not change the clearance pattern, so no changes in funding techniques were required.

3.2 Barring any interim amendments, these techniques will be in effect until June 30, 2012.

If necessary, it is possible to amend the agreement mid-year if program changes occur or if errors are found in the current agreement. This does not happen frequently.

**Any significant program changes, (i.e. termination of a program, changes in check issuance schedules, etc.) must be made known to the State's CMIA Coordinator as soon as possible. The CMIA Coordinator will work with FMS to determine whether or not an amendment is necessary.**

### 3.3 Non-major Programs

Although not specifically covered in the TSA, the amount of time between fund transfers and program expenditures must also be kept to a minimum for non-major programs. Departments that administer federal programs that fall below the threshold for a major federal program and are not covered under the TSA should review 31 CFR 205 Part B which requires the timeliness of federal draws.

In addition, effective July 1, 2007, the Department of Finance & Management issued Policy #2-Cash Management Policy for Federal Funds. This policy specifies minimum standards for all federal draws made by the State of Vermont. Although all federal funds are subject to the terms of the policy, the main focus is on non-major programs not covered under the TSA.

3.4 This Agreement may be terminated by either the State of Vermont's Department of Finance & Management or the Federal Management Service (FMS) with 30 days' written notice. If this Agreement is terminated, FMS will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

### 4.0 Programs Covered

One of the components of the TSA is the establishment of a covered program threshold. This threshold is a calculation defined by federal regulation and performed by the State which determines which programs must be covered in the TSA. For Vermont, the TSA threshold for covered programs increased 31% to \$ 12,891,938 in 2012 as compared to \$ 9,842,693 in 2011. This is the largest single year increase experienced by the State of Vermont and is primarily due to the influx of ARRA funding expended in SFY2010.

The number of covered programs in 2012 is 16 as compared to 17 in 2011. Four programs fell below the threshold and were dropped from the agreement: 20.509-Formula Grants for Other than Urbanized Areas, 84.126-Rehabilitation Services-Vocational Rehabilitation, 93.575-Child Care and Development Block Grant, and 93.658-Foster Care-Title IV-E. Conversely, there were three "new" programs added in 2012: 14.228-Community Development Block Grant, 66.468-Capitalization Grants for Drinking Water, and 66.458-Capitalization Grants for State Revolving Funds. These three new programs have all been covered programs at various times in prior years and they adopted the same funding techniques used the last time that they were covered in the TSA.

In addition, there were three additional programs that had expenditures above the threshold that have been excluded in section 4.4. These are all ARRA programs whose unspent grant award was below the threshold at the time the TSA was developed, or expected to be below this threshold prior to July 1, 2011. See section 4.4 for more information about these exclusions.

4.1 According to federal regulation, the threshold for a major federal program is calculated annually and is based upon expenditures reported in the most recent single audit available. For the 2012 TSA, the 2010 single audit expenditures were used.

4.2 The State's threshold for major Federal assistance programs of \$ 12,891,938 was calculated using the formulas illustrated below. (See 31 CFR §205.5 for the formula.) To ensure the State's threshold provides adequate coverage, federal regulations require that a State calculate its threshold using two formulas and compare the difference in program coverage between the two. If the difference between the total programs covered using both thresholds is less than 10%, the higher threshold is valid, resulting in fewer covered programs. If the difference is greater than 10%, the threshold must be lowered (programs added) until a difference of 10% or less is achieved.

For 2012, the following calculations were made to determine and verify the threshold:

#### Formula 1:

Net federal assistance expenses State of Vermont SEFA - FY2010: \$ 2,148,656,271  
Percentage assigned by regulation (found at 31 CFR §205.5 Table A): 0.6 percent  
State of Vermont Threshold FY 2012 = \$ 2,148,656,271 x .6% = \$ 12,891,938

Total of all programs meeting the .6% threshold = \$ 1,745,917,210 (see special conditions below)

**Formula 2:**

Net federal assistance expenses State of Vermont SEFA - FY2010: \$ 2,148,656,271

One half of the percentage used in Formula 1: 0.3 percent

State of Vermont Threshold FY 2012 = \$ 2,148,656,271 x .3% = \$ 6,445,969

Total of all programs meeting the .3% threshold = \$ 1,948,097,867

**Verify:**

Programs covered using .3% threshold minus those covered using .6% threshold:

\$1,948,097,867 - \$1,745,917,210 = \$ 202,180,657

This difference divided by total expenditures: \$85,240,587/\$1,640,448,782 = 9.41%

Since 9.41% is less than 10%, the .6% level is considered valid and the program threshold of \$12,891,938 may be used.

**Special conditions in the 2012 TSA** – The total of all programs above meeting the .6% threshold excludes three programs excluded from the TSA in Section 4.4. Vermont has not previously had discontinued programs to exclude in this section, and since we were not given guidance by the US Treasury in this matter, we took the most conservative approach and verified the threshold by excluding these programs from the .6% total in the verification formula. This may or may not be the proper way to handle this issue, but since it is the most conservative approach and the threshold is still valid, it is the formula that was used.

The following programs meet or exceed the threshold and are not excluded in Section 4.4:

| Program   | VT Agency      |
|---|----------------|
| 10.551 - Food Stamps  | AHS            |
| 10.555 - National School Lunch Program for Children                           | Education      |
| 10.557 - Special Supplemental Nutrition Program for Women, Infants & Children | AHS            |
| 12.401 – National Guard Military Operation & Maintenance                      | Military       |
| 14.228 – Community Development Block Grant                                    | ACCD           |
| 17.225 - Unemployment Insurance (State and Federal)                           | Labor          |
| 20.205 - Highway Planning and Construction (FHWA)                             | Transportation |
| 66.458 – Capitalization Grants for State Revolving Funds                      | DEC            |
| 66.468 – Capitalization Grants for Drinking Water State Revolving Fund        | DEC            |
| 84.010 - Title I grants to Local Educational Agencies                         | Education      |
| 84.027 - Special Education – Grants to States                                 | Education      |
| 84.367 - Improving Teacher Quality State Grants                               | Education      |
| 93.558 - Temporary Assistance for Needy Families                              | AHS            |
| 93.568 - Low Income Home Energy Assistance                                    | AHS            |
| 93.778 - Medical Assistance Program   | AHS            |
| 96.006 - Supplemental Security Income (Reverse Flow Program)                  | AHS/SSI        |

4.3 When a non-major program continually fails to adhere to CMIA regulations, FMS may require that program to be included in the TSA regardless of the covered program threshold.

No non-major programs are required to be covered by FMS in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205 in Vermont's 2012 TSA.

4.4 Program Exclusions: In accordance with 31 CFR §205.4, it is possible, in certain circumstances, to exclude programs or components of programs that would otherwise be required to be covered in the TSA. A program component may be excluded if the program is administered by multiple State agencies and it meets several conditions outlined in section §205.4(b). An entire program may be excluded only if it has been discontinued since the last single audit or if a multi-year grant has an award balance that is below the covered program threshold.

Although a very rare occurrence, the influx of ARRA funding for a limited time period has caused three of Vermont's programs to qualify for exclusion under §205.4(c) by meeting the definition of multi-year programs with award balances below the threshold:

- 84.389 – ARRA-Title I Grants to Local Educational Agencies
- 84.394 – ARRA-SFSF-EDU (State Fiscal Stabilization Fund-Education Stabilization Fund)
- 84.397 – ARRA-SFSF-GSF (State Fiscal Stabilization Fund-General Services Fund)

When the 2012 TSA was being developed, these programs all had remaining award balances already below the covered program threshold or were projected to be below the threshold on July 1, 2011 when the 2012 TSA would take effect. Therefore, these programs were excluded from the TSA.

## **5.0 Entities Covered**

5.1 Due to the fact that they have programs above the CMIA threshold that are not excluded in Section 4.4, the following State agencies shall be subject to the terms of this agreement:

Agency of Commerce and Community Development  
Agency of Human Services  
Agency of Transportation  
Department of Environmental Conservation  
Department of Labor  
Department of Education  
Military Department

5.2 Fiscal Agents: A fiscal agent is an entity that pays, collects, or holds Federal funds on behalf of the State in furtherance of a Federal program, exclusive of a private nonprofit community organization.

JP Morgan/EFD is the Fiscal Agent for CFDA 93.558-TANF and 10.551-Food Stamps  
HP Enterprise Services, LLC is the Fiscal Agent for CFDA 93.778-Medicaid  
VMBB/VEDA is the Fiscal Agent for CFDA 66.458-Capitalization Grants and 66.468-Capitalization Grants Drinking Water

## **6.0 Funding Techniques**

Funding techniques are methods by which funds are drawn down as defined by the Treasury-State Agreement. These methods are negotiated by F&M and FMS. Funding techniques often rely on clearance patterns in determining when funds are drawn down (See section 7.0 Clearance Patterns) and can be either interest neutral or interest bearing. Most of the funding techniques contained in Vermont's 2012 TSA are interest neutral, with the exception of the following: Prior Month's Actual, Weekly Actual Reimbursement and Weekly Billing Cycle. (See Section 6.2 Description of Funding Techniques)

6.1 General Terms: The following general terms are included in each State's TSA.

6.1.1 Exhibit I in the TSA outlines the cut-off times for requesting drawdowns from various federal entities. This schedule should be used when scheduling draws. Using this schedule assures that funds will arrive on time, or the State will receive compensation for delay in funding. Exhibit I can be found in Appendix I of this document.

6.1.2 Exhibit II in the TSA outlines the funding technique and clearance pattern that shall be used for each program component when drawing down funds. The clearance patterns are used for components that utilize a funding technique that relies on clearance patterns (Average Clearance, Actual Clearance-ZBA, etc.) If a funding technique draws down funds at set intervals that may not be directly related to check issuance dates, clearance patterns will not apply. See section 6.2 for descriptions of each funding technique and whether or not a clearance pattern is applied.

6.1.3 In instances where the day of average clearance falls on a Saturday, the State shall request funds for deposit on Friday. In instances where the day of average clearance falls on a Sunday, the State

shall request funds for deposit on Monday. In cases where the day of average clearance falls on a day when the State is not open for business (i.e. holiday, shutdown-day), the State shall request funds for deposit the day following the scheduled day; in instances where the receipt of Federal funds is scheduled for deposit on a day when the Federal Government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

The following is a list of FEDERAL holidays in effect during SFY2012:  
(All holidays are on Monday, except where noted.)

|               |                             |               |                        |
|---------------|-----------------------------|---------------|------------------------|
| July 4, 2011  | Independence Day            | Dec. 26, 2011 | Christmas Day          |
| Sept. 5, 2011 | Labor Day                   | Jan. 2, 2012  | New Year's Day         |
| Oct. 10, 2011 | Columbus Day                | Jan. 16, 2012 | Martin L. King Jr. Day |
| Nov. 11, 2011 | Veterans Day (Friday)       | Feb. 22, 2012 | Washington's Birthday  |
| Nov. 24, 2011 | Thanksgiving Day (Thursday) | May 28, 2012  | Memorial Day           |

6.1.4 Estimates and Reconciliation of Estimates: Where estimated expenditures are used, program personnel should document procedures outlining the creation and maintenance of these estimates. Step by step, auditable records documenting estimations should be available upon request. Estimates must also be reconciled to actual expenditures on a regular basis. Several programs in Vermont's 2012 TSA use estimates.

6.1.5 Supplemental Awards: Although not found in the federal CMIA regulations themselves, federal guidance has been issued pertaining to supplemental awards for specific programs. This guidance is actually standard language found in each state's TSA. Specifically, mention of supplemental awards can be found for the following programs covered in Vermont's TSA:

- 93.778 – Medical Assistance Program
- 93.558 – TANF
- 93.575 – Child Care and Development Block Grant (program not covered in 2012)
- 93.658 – Foster Care (program not covered in 2012)

**Section 6.1.5 of the TSA states:** *Unless otherwise defined by program rules, Supplemental Funding is the award of additional funds to provide for an increase in costs due to unforeseen circumstances. The State will comply with all Federal program agency policies and procedures for requesting supplemental grant funding.*

**Medical Assistance:**

*The State will comply with the following guidelines when requesting supplemental funding for the Medical Assistance Program and associated administrative payments (CFDA 93.778):*

*The State must submit a revised Medicaid Program Budget Report (CMS-37) to request supplemental funding. The CMS guidelines and instructions for completing the CMS-37 are provided in Section 2600F of the State Medicaid Manual (SMM). The CMS/CO must receive the revised Form CMS-37 through the Medicaid Budget Expenditure System/Children's Budget Expenditure System (MBES/CBES) no later than 10 calendar days before the end of the quarter for which the supplemental grant award is being requested.*

**TANF, CCDF, CSE & FC/AA:**

*The State will comply with the following guidelines when requesting supplemental funding for TANF (CFDA 93.558), CCDF (CFDA 93.575), CSE (93.563), and the FC/AA (CFDA 93.658 and CFDA 93.659) programs administered by the U.S. Department of Human Services, Administration for Children and Families (HHS/ACF):*

**a. Timing of the Request**

*A state should initiate its request for supplemental funding during a quarter as soon as it becomes aware of the fact that a shortfall does/will exist. For the TANF and CCDF grants, supplemental funding requests (estimates) may be submitted by a state, for consideration by ACF, up through and including the 15th day of the third month of the first, second or third quarter of any fiscal year. Since TANF and CCDF are block grant programs, all unawarded portions of the annual allotment will automatically be issued at the beginning of the fourth quarter. Therefore, supplemental funding requests will not be available during the fourth quarter for*



*these programs. For the CSE and FC/AA programs, supplemental funding requests may be submitted by a state, for consideration by ACF, up through and including the 15th day of the third month of any quarter of a fiscal year.*

**b. Justification for the Request**

*The request for a supplemental funding for any of the above mentioned programs should contain a justification clearly documenting the need for the additional funding authority during the current quarter. This documentation should be in the form of State accounting records or similar documents that will show the actual expenditures through the most recent month for which such data are available, as well as the State's most accurate projection of its anticipated expenditures during the remaining month(s) of the quarter. For either the TANF or the CCDF program, the State's justification should also include an explanation of the activities requiring the obligation and/or expenditure of amounts that exceed the normal quarterly grant award restrictions and why these activities could not have been delayed until the next quarter.*

**c. Form Submittal**

*Supplemental funding requests should be made by completing the appropriate ACF quarterly report of expenditures and estimates applicable to the particular program for which the grant award request is being made.*

**d. Approval Process**

*Upon receipt of the State's request for additional funding authority for a quarter, the ACF Regional Office will promptly review the supporting documentation. If the request is properly justified, so long as ACF has adequate funding availability, the State's request will be expedited and supplemental funding will be issued within 5 days of ACF receiving the request. The State will be notified by the Regional Office when the supplemental award has been transmitted to the Payment Management System (PMS) and when it may initiate drawdowns against the supplemental funding.*

Additional guidance on the policies in this section as they pertain to the Medicaid Program can be provided by the Boston Regional Office of CMS, U.S. Department of Health & Human Services. Additional guidance can be obtained for the other programs mentioned in section 6.1.5 from the U.S. Department of Health & Human Services, Administration for Children and Families, May 19, 2004 letter to State Administrators from the Deputy Assistant Secretary for Administration.

**It is important for program managers to understand and follow the rules regarding the timing, justification, submittal, and approval of the various supplemental awards found in this section in the TSA. Failing to understand and follow the guidelines in these areas could result in a loss or delay of federal reimbursement without federal interest liability.**

## **6.2 Description of Funding Techniques**

Funding techniques are split into two major categories: standard techniques provided by FMS for use by all states and state-specific techniques. Vermont also uses techniques in the "Miscellaneous" category (section 6.2.3) which are actually standard techniques provided by FMS but that are specific to a certain federal program. State-specific techniques must conform to standards set by FMS as to form and content.

All techniques refer to the agency cut-off times specified in Exhibit I. This is a table found in the TSA that lists each federal agency and its specific payment processing cut-off times. It indicates the payment types available (ACH or Fedwire), the daily cut-off time, and the expected settlement date. These cut-off times are updated by FMS annually. Exhibit I can be found in Appendix I of this document.

The following are the techniques used by the State of Vermont in the 2012 TSA:

### **6.2.1 Standard Funding Techniques**

#### **Actual Clearance, ZBA – ACH**

**Technique:** *The State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance*

*with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of funds that clear the State's account on the settlement date.*

This funding technique is used for programs that make ACH payments to clients or providers. It is used in the following programs: SNAP, Unemployment Insurance, TANF, LIHEAP, CDBG, and Medicaid. All of these components are paid from the VISION system with the exception of the Medicaid EFT payments which are made by the fiscal agent HP Enterprise Services, LLC and Unemployment which is paid from a separate bank account managed by the Dept. of Labor. This technique is interest neutral and has a clearance pattern of zero days.

#### Actual Clearance, ZBA – Same Day Payment

Technique: *The State shall request funds the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. A Federal agency will deposit funds in a state account the same day as requested. The amount of the request shall be for the amount of funds that clear the State's account that day.*

This funding technique is used for programs that make electronic same day payments to clients or providers. It is currently only used in the SNAP EBT program which is administered by the fiscal agent JP Morgan/EFD. This technique is interest neutral and has a clearance pattern of zero days.

#### Average Clearance

Technique: *The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement.*

This technique requires a drawdown based on a bank account clearance pattern (See section 7.0). For instance, the average day of clearance for the Vendor Account is 2 days. This means that on average, it takes 2 days for a check issued to be cashed at a bank. A program using average clearance and making payments from the State's Vendor Account would therefore time its draws so that funds arrive in the State's bank account 2 days after each disbursement (e.g. Checks cut on Wednesday are requested for overnight ACH payment on Thursday to arrive in the State of Vermont bank account on Friday). This technique is typically used for programs that make a single disbursement on a regular basis (such as payroll or monthly payments) rather than programs that make payments on a daily basis.

This funding technique is used in the following programs: SNAP, Unemployment Insurance, School Lunch, Title I, Special Education, Improving Teacher Quality and TANF. This technique is interest neutral and the clearance pattern will vary depending upon the bank account used. (See section 7.0)

#### Direct Administrative Costs-Drawdowns on a Payroll Cycle

Technique: *The State shall request funds for all direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds.*

This technique requires drawdown on a regular cycle each payroll period. It allows programs to draw in direct administrative costs at the same time as payroll without applying a clearance pattern. It is used for administrative costs in the following programs: CDBG, Title I, Special Ed and Improving Teacher Quality. This funding technique is interest neutral and does not use a clearance pattern.

### 6.2.2 There are no special administrative costs techniques in section 6.2.2

### 6.2.3 Miscellaneous Funding Techniques

#### Reverse Flow Program

Technique: *In accordance with the terms in Section 9.0 of this Agreement, the Federal Government makes payments on behalf of the State for the Supplemental Security Income (SSI) program, CFDA No. 96.006.*

The federal government (Social Security Administration – SSA) makes payments to SSI beneficiaries on the State's behalf. In order for these payments to be made timely, the State must transfer funds to SSI by a cutoff date each month. SSI maintains the payment records for this program and calculates interest owed/due each year. This technique is interest neutral, however in reality there is always a small interest amount exchanged due to the timing of the State payment to SSA as compared to the date they issue the payments.

#### Capitalization Grants for State Revolving Funds

Technique: *The State shall request funds to minimize the time between the drawdown of funds from Treasury and their deposit into the revolving fund. The timing of the drawdown of Federal funds for deposit to the revolving fund is subject to the interest provisions of 31 CFR Part 205, however there is an interest exemption for the interest the State earns once the funds are deposited into the revolving fund. The request for funds shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of the funds to be used for immediate program purposes. The State will not incur an interest liability for interest earned on revolving fund loans.*

This funding technique is specific to the capitalization grants programs in the Department of Environmental Conservation: Capitalization Grants for State Revolving Funds and Capitalization Grants for Drinking Water Revolving Fund. This technique is interest neutral since deposits are made when the fiscal agent makes payments to grantees.

#### 6.2.4 State Specific Techniques

##### Bi-Weekly Actual

Technique: *The State will request funds bi-weekly based on the actual expenditures made during the previous two week period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of each request shall equal the total expenditures posted during the State's bi-weekly billing cycle.*

*Since these expenditures may be incurred in both the payroll and vendor bank accounts, the State will not apply a clearance pattern to this funding technique and agrees that no federal interest liability will incur using this technique, provided that federal funds are available and deposited in accordance with the cutoff times specified in Exhibit I.*

This technique uses a bi-weekly draw pattern and is applied only to components of programs making up a small percentage of total program costs. If a clearance pattern were to be applied to these payments, the State would be drawing funds in later than allowed, hence the restriction to small percentage components.

This funding technique is used in the following programs: SNAP, TANF, and LIHEAP. This technique is interest neutral and does not apply a clearance pattern.

##### Payment Schedule-Quarterly Estimates-Payroll Cycle

Technique: *The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the drawdown shall be based on quarterly estimates and shall be requested in equal amounts to coincide with the State's bi-weekly payroll cycle as adjusted by the Payroll account clearance pattern. Estimates will be reconciled to actual costs approximately 45 days after the end of the quarter and future draws adjusted accordingly.*

This funding technique is used by programs where it is difficult to obtain actual expenditures on a daily basis. In place of actual expenditures, draws are based upon quarterly estimates which are drawn down in equal allotments bi-weekly (every payday). It is most commonly used by AHS for its administrative costs which are spread to federal programs on a quarterly basis using cost

allocations. This technique is also used by the Dept. of Labor for the payroll portion of its administrative costs. When this technique is used, draws must be reconciled to actual expenditures as soon as possible each quarter, ideally within 45 days after the quarter ends. This funding technique is used in the following programs: WIC, Unemployment, TANF, LIHEAP, and Medicaid. This technique is interest neutral and does not use a clearance pattern.

#### Payment Schedule-Quarterly Estimates-Other

*Technique: The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the drawdown shall be based on quarterly estimates and shall be requested in equal weekly amounts throughout the quarter for deposit on the median day of each week. Estimates will be reconciled to actual costs approximately 45 days after the end of the quarter and future draws adjusted accordingly.*

This funding technique is used in the Unemployment program for non-payroll administrative costs. This technique uses a quarterly estimate and draws in estimated expenses in equal weekly allotments. This technique is interest neutral and does not use a clearance pattern.

#### Prior Month's Actual

*Technique: The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of expenditures incurred in the prior month. A departmental report will be run as soon as possible subsequent to the close of each month to determine these costs and a request for funds will occur as soon as possible thereafter.*

This funding technique is used in programs with administrative components that are drawn down monthly based upon actual expenditures for the prior month. It is used by the Department of Education for indirect administrative costs, by the Department of Environmental Conservation for the two Capitalization Grants programs and by the Military for the National Guard program, for all administrative costs which are compiled or calculated on a monthly reimbursement basis.

This technique is used in the following programs: Title I, Special Education, Improving Teacher Quality, Capitalization Grants for State Revolving Funds, Capitalization Grants for Drinking Water Revolving Fund, and National Guard. It is **not** interest neutral, since the draw is made for expenses incurred in the prior month. This funding technique does not use a clearance pattern since it is on a reimbursement basis.

#### Weekly Actual Reimbursement

*Technique: The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off specified in Exhibit I. The amount of the request shall be the actual sum of expenditures that have been incurred, recorded, identified and reconciled as billable from the preceding week, Monday through Friday. In all cases the request for funds will occur after the state has disbursed funds.*

This funding technique is used by AOT for its weekly draws of the FHWA program. Draws occur on Monday (for Tuesday deposit) for all expenditures incurred in STARS during the previous week. Due to the average daily expenditure patterns and the application of 6 day clearance pattern, this technique is **not** interest neutral.

#### Weekly Billing Cycle

*Technique: The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off specified in Exhibit I. The amount of the*

*request shall be the actual sum of expenditures that have been posted during the State's seven day billing cycle.*

This technique uses a weekly draw cycle for AHS programs with numerous transactions occurring on a daily basis. Although the clearance pattern would allow for slightly more frequent draws, for administrative ease, it was decided to draw these programs on a weekly cycle.

This funding technique is used in the WIC programs. This technique is **not** interest neutral and does not apply a clearance pattern.

6.3 Application of Funding Techniques to Programs: Each federal program is broken down into one or more components. Each component must be assigned a funding technique in the TSA.

6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the components of the programs listed in sections 4.2 and 4.3 of this Agreement.

### 6.3.2 Programs

The following is a summary of Exhibit II (found in Appendix II of this document), sorted by funding technique:

| Technique  | Program                   | Component  |
|--|---------------------------|--|
| Actual Clearance, ZBA – ACH                              | SNAP                      | Direct Deposit Payments to Providers, Clients & Grantees   |
|  | CDBG                      | Grantees   |
|  | Unemp. Insurance          | UI – Federal Electronic Funds  |
|  | TANF                      | EBT & Direct Deposit   |
|  | LIHEAP                    | Payments to Providers & Clients  |
|  | Medicaid                  | EFT Payments to Providers, Buy-In & MCO  |
| Actual Clearance, ZBA-Same Day                           | SNAP                      | EBT  |
| Average Clearance  | SNAP                      | Check Payments to Providers/Clients/Grantees-Checks  |
|  | School Lunch              | Grantees   |
|  | Unemp. Insurance          | Federal Funds Checks & State Funds   |
|  | Title I                   | Grantees   |
|  | Special Ed                | Grantees   |
|  | Improving Teacher Quality | Grantees   |
|  | TANF                      | Check Payments to Providers/Clients/ Grantees, Foster Care Payments to Providers & CCDF Transfer |
| Bi-Weekly Actual   | SNAP                      | Daily Payments to Providers/Clients/Grantees   |
|  | TANF                      | Daily Payments to Providers/Clients/Grantees & EA Payments to Providers/Clients/Grantees         |
|  | LIHEAP                    | Daily Payments to Providers/Clients/Grantees   |
| Capitalization Grants for State Revolving Funds          | Clear Water               | Grantees   |
|  | Drinking Water            | Grantees   |
| Direct Administrative Costs-Drawdowns on a Payroll Cycle | CDBG                      | Direct Admin & Payroll   |
|  | Title I                   | Direct Admin   |
|  | Special Education         | Direct Admin   |
|  | Impr. Teacher Quality     | Direct Admin   |
| Payment Schedule-Quarterly Estimates-Other               | Unemp. Insurance          | Direct Admin (non-payroll)   |

| Technique   | Program               | Component  |
|---|-----------------------|--|
| Payment Schedule-Quarterly<br>Estimates-Payroll Cycle | WIC                   | Administrative Costs   |
|   | Unemp. Insurance      | Payroll  |
|   | TANF                  | Administrative Costs, CCDF Transfer-Admin &<br>SSBG Transfer |
|   | LIHEAP                | Administrative Costs   |
|   | Medicaid              | Administrative Costs   |
| Prior Month's Actual                                  | National Guard        | Direct Admin   |
|   | Clear Water           | Admin Costs  |
|   | Drinking Water        | Admin Costs  |
|   | Title I               | Indirect Admin   |
|   | Special Education     | Indirect Admin   |
|   | Impr. Teacher Quality | Indirect Admin   |
| Weekly Actual<br>Reimbursement                        | FHWA                  | Direct Admin, Payments to Providers & Grantees               |
| Weekly Billing Cycle                                  | WIC                   | Payments to Providers  |
| Reverse Flow-SSI                                      | SSI                   | SSI  |

6.3.3 Materiality Exemptions: Programs may be excluded from the TSA based upon materiality. Vermont currently does not have any materiality exemptions.

## 7.0 Clearance Patterns

A clearance pattern is a statistical representation showing the average time it takes a payment to clear a State bank account after the issuance date. It essentially represents how much is cashed and when. Clearance patterns must be updated every five years per CMIA regulations and must be calculated using a period of activity of no less than 90 days. Several of Vermont's clearance patterns were due for renewal with the 2010 TSA (see detail below.) The FHWA clearance pattern was updated using 2006 data for the revised 2007 TSA. The EDS account clearance pattern was due for recalculation with the 2011 TSA but a review of the transactions processed through the account yielded the conclusion that the number of non-electronic payments issued by the account is immaterial and the clearance pattern no longer needs to be maintained. See section 7.3 for a schedule showing each bank account and a schedule of when they are next due to be reviewed. The State Treasurer's Office and the Department of Finance & Management jointly maintain the clearance patterns for the majority of the State of Vermont's accounts. The Department of Labor provides the clearance pattern information for the Unemployment Insurance bank account. FHWA clearance data comes from the VISION system and is calculated by the Department of Finance & Management.

Although federal regulations require updates to the clearance patterns every 5 years, they also state that if at any time the State becomes aware that a clearance pattern is no longer valid, it must be revised. When this occurs, the TSA must be revised to reflect the current clearance pattern.

There are five accounts for which clearance patterns must be developed:

**Vendor Account:** This is the account that pays the vast majority of the State's vendors. Below is a summarized version of the clearance pattern for this account developed in the spring of 2009 using payment data from 10/1/08 to 12/31/08. This clearance pattern was effective with the 2010 TSA.

| Day After Issuance | % of Dollars Cashed | Amount Cashed |
|--------------------|---------------------|---------------|
| 0                  | 76.93%              | 747,932,806   |
| 1                  | .35%                | 3,375,411     |
| 2                  | 1.69%               | 16,466,410    |
| 3                  | 2.18%               | 21,209,434    |
| 4                  | 2.74%               | 26,594,463    |
| 5                  | 3.24%               | 31,457,505    |
| 6                  | 3.24%               | 31,522,926    |
| 7                  | 2.74%               | 26,648,564    |
| 8                  | 1.60%               | 15,520,676    |
| 9                  | .58%                | 5,668,451     |
| 10+                | 3.96%               | 38,525,169    |

#### **Vendor Account**

Dollar-Weighted Average Day of Clearance: 1.54 days

Rounded Clearance Pattern: 2 days

**Payroll Disbursement Account:** This is the account used for all employee payroll payments. Below is a summarized version of the clearance pattern for this account developed in the spring of 2009 using payment data from 10/1/08 to 12/31/08. This clearance pattern was effective with the 2010 TSA.

| Day After Issuance | % of Dollars Cashed | Amount Cashed |
|--------------------|---------------------|---------------|
| 0                  | 98%                 | 70,122,385    |
| 1                  | .37%                | 266,244       |
| 2                  | .04%                | 29,192        |
| 4                  | .41%                | 295,872       |
| 5                  | .42%                | 298,419       |
| 6+                 | .75%                | 536,315       |

#### **Payroll Account**

Dollar-Weighted Average Day of Clearance: .11 days

Rounded Clearance Pattern: 0 days

**PATH Account:** This is an account used exclusively by the Department of Children and Families. This account is used to issue benefit payments for the Food Stamps and LIHEAP programs. Below is a summarized version of the clearance pattern for this account developed in the spring of 2009 using payment data from 10/1/08 to 12/31/08. This clearance pattern was effective with the 2010 TSA.

| Day After Issuance | % of Dollars Cashed | Amount Cashed |
|--------------------|---------------------|---------------|
| 0                  | 87.12%              | 30,162,231    |
| 1                  | 0.15%               | 53,504        |
| 2                  | 0.72%               | 248,727       |
| 3                  | 0.57%               | 198,191       |
| 4                  | 0.78%               | 268,406       |
| 5                  | 1.83%               | 632,118       |
| 6                  | 1.68%               | 581,048       |
| 7                  | 1.94%               | 671,537       |
| 8                  | 1.88%               | 652,165       |
| 9                  | 0.45%               | 155,162       |
| 10+                | 2.88%               | 996,848       |

#### **PATH Account**

Dollar-Weighted Average Day of Clearance: 1.03 days

Rounded Clearance Pattern: 1 days

**Unemployment Compensation Disbursement Account:** This is an account used exclusively by the Department of Labor. This account is used to issue benefit payments for the Unemployment Compensation program. Below is a summarized version of the clearance pattern for the Federal Funds portion of the activity in this account developed in the spring of 2009 using payment data from 10/1/08 to 12/31/08. This clearance pattern was effective with the 2010 TSA.

| Day After Issuance | % of Dollars Cashed | Amount Cashed |
|--------------------|---------------------|---------------|
| 0                  | 0%                  | 0             |
| 1                  | 0%                  | 0             |
| 2                  | 61.71%              | 315,184       |
| 3                  | 1.83%               | 9,325         |
| 4                  | 1.50%               | 7,667         |
| 5                  | 5.61%               | 28,664        |
| 6                  | 7.94%               | 40,536        |
| 7                  | 7.88%               | 40,225        |
| 8                  | 3.58%               | 18,264        |
| 9                  | 2.35%               | 11,994        |
| 10+                | 6.92%               | 35,353        |

**Unemployment Compensation Account**

Dollar-Weighted Average Day of Clearance: 4.26 days

Rounded Clearance Pattern: 4 days

(Note: This pattern is for Federal Funds.)

**Federal Highway Planning & Construction Program:** Expenditures in this program are paid from the Vendor account, but most payments are made electronically and in a pattern different than the average of the vendor account. This clearance pattern was required to be recalculated for the 2012 TSA because it had been 5 years since the prior calculation. Below is a summarized version of the clearance pattern for these payments developed in the spring of 2011 using expenditures for the period 7/1/2010 through 12/31/2010.

| Day After Issuance | % of Dollars Cashed | Amount Cashed |
|--------------------|---------------------|---------------|
| 1                  | 0%                  | 12,854        |
| 2                  | 0%                  | 608,892       |
| 3                  | 10%                 | 14,510,963    |
| 4                  | 1%                  | 1,269,670     |
| 5                  | 53%                 | 77,916,403    |
| 6                  | 21%                 | 30,991,066    |
| 7                  | 5%                  | 8,098,428     |
| 8                  | 2%                  | 3,221,504     |
| 9                  | 1%                  | 1,094,302     |
| 10+                | 7%                  | 10,346,286    |

**Federal Highway Planning & Construction**

Dollar-Weighted Average Day of Clearance: 5.77 days

Rounded Clearance Pattern: 6 days

**Medicaid Program (EDS Account):** This account was due for recalculation with the 2011 TSA. When analyzing the data, it was determined that the number of checks issued from this account is immaterial and it was unnecessary to continue to maintain this clearance pattern.



7.2 Clearance patterns for the State of Vermont are developed by the following:

Vermont State Treasurer  
Vermont Department of Labor  
Vermont Department of Finance & Management

7.3 The clearance patterns were developed using checks issued during the following time periods:

| Bank Account    | Period Used for Current Pattern | Updated in TSA | Next Update Due        |
|-----------------|---------------------------------|----------------|------------------------|
| Vendor Account  | October-December 2008           | 2010           | 2013 Data for 2015 TSA |
| Payroll Account | October-December 2008           | 2010           | 2013 Data for 2015 TSA |
| AFDC Account    | October-December 2008           | 2010           | 2013 Data for 2015 TSA |
| FHWA Payments   | July – December 2010            | 2012           | 2015 Data for 2017 TSA |
| Unemployment    | October-December 2009           | 2010           | 2013 Data for 2015 TSA |

7.4 The State of Vermont tracked disbursements until at least 99% of these items were presented for cashing.

7.5 There are three pieces of information the State must identify for each disbursement in the population:

- 1.) Date of check issue/disbursement
- 2.) Date debited from State Account
- 3.) Amount of payment

7.6 Method of calculating the dollar-weighted average day of clearance:

1. To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the State's account.
2. To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.
3. For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.
4. The dollar-weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.

7.7 The State did not exclude EFT/Direct Deposit payments in its clearance pattern calculations.

7.8 Each of the State's clearance patterns is calculated in calendar days, not business days. This should be kept in mind when scheduling drawdown requests. A drawdown due on Saturday may be scheduled for Friday deposit and a drawdown due on Sunday should be scheduled for Monday deposit per the regulations.

7.9 At least every five years the Department of Finance & Management must make sure its clearance patterns are recalculated. This will ensure current data will be used when drawing federal funds.

7.10 The State must ensure that all clearance patterns reflect their assigned program's clearance activity. If at any time the State determines that a clearance pattern does not accurately reflect a program's disbursement activity, the clearance pattern must be revised and the TSA updated.

## 8.0 Interest Calculation Methodology

Once a year F&M calculates the net interest liability owed to/from the Federal government for all programs covered in the TSA. This is called the annual interest report. This report must be submitted electronically by the CMIA Coordinator to FMS by December 31 of each year. The report is reviewed by FMS and an exchange of the net amount of interest owed from or due to the

State of Vermont must occur by March 31 each year. The TSA specifies the techniques to be used to calculate the federal and state interest liabilities separately. In practice, F&M calculates net interest amounts for each program which results in a net interest due to/from the Federal government. In addition, the cost of calculating interest and maintaining clearance patterns are allowable costs which may be reported on the annual interest report. (See section 10)

8.1.1 When carried out properly, no interest-neutral funding techniques in the State of Vermont's TSA will generate an interest liability for either the State or the Federal government. However, in actual practice some amount of interest is exchanged each year. The most common reasons for federal interest liabilities are the late issuance of grant awards and system unavailability. The most common reason for state interest liabilities is human error.

Vermont's TSA currently contains two non-interest neutral funding techniques. The Weekly Billing Cycle funding technique is used in the WIC and Vocational Rehabilitation programs operated by the Agency of Human Services. The Prior Month's Actual funding technique is used in the National Guard and Education programs for administrative costs incurred in the prior month. These two funding techniques may generate interest liabilities due to their reimbursable basis.

8.1.2 The State (each agency) shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities. For each disbursement, the State shall be able to identify:

1. amount of the issuance
2. date of issuance
3. date Federal funds are received and credited to a State account
4. amount of Federal funds received
5. date funds were requested

## 8.2 Federal Interest Liabilities

8.2.1 When Federal Interest Liabilities will accrue: *A Federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the date Federal funds are credited to a State account. With regard to funds transferred out of the Federal Highway Trust Fund, if a State does not bill at least weekly for current project costs, the Federal interest liability shall not accrue prior to the day the State submits a request for funds.*

Therefore, federal liabilities (interest owed to the State) occur when payments are made from a State bank account prior to receiving Federal funds. However, the State will not collect a federal interest liability if it purposely decides to delay its drawdowns. Requests for funds must occur in a timely manner. If funds are not received according to the schedule on Exhibit I, this should be documented and reported to F&M for inclusion in the annual interest report. In the case of the FHWA program, if it is not billed at least weekly, federal interest liabilities will not be honored. In prior years the State has also collected federal interest liabilities caused by the late issuance of grant awards which causes the State to pay out its own funds prior to the availability of federal funds.

8.2.2 How the State calculates Federal Interest Liabilities: For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds, the State shall track each payment from the date it is paid out of a State account to the date Federal funds are subsequently credited to a State account. Conversely, if the State draws funds in earlier than specified in the program's funding technique or in a manner contrary to the appropriate clearance pattern, it may generate an interest liability which is further described in section 8.6.

In practice, the Department of Finance & Management uses VISION query data to generate daily cash balances for most non-AHS programs covered by the TSA. Negative cash balances are generally ignored, since it is assumed that the department managing the program chose not to make a funds request and no federal liability will exist. The Department of Finance & Management communicates with each department when preparing the annual interest report and if federal

funds were not available timely (due to late issuance of grant awards or system unavailability) this should be communicated to F&M at this time along with documentation supporting the claim. AHS calculates interest for all of its CMIA programs. Their programs use many complex funding techniques and it would not be possible for F&M to accurately track these programs using VISION queries. As a result, AHS has developed spreadsheets for all of its programs which allow them to track each draw they make and any interest owed or due when applicable. These spreadsheets are reconciled to federal cash transaction reports each quarter to verify that they include all federal funds drawn. These spreadsheets are submitted to F&M annually for inclusion in the annual interest report.

### 8.3 The Unemployment Trust Fund

8.3.1 The UTF will only incur a State liability if the funding techniques are not followed. In such instances, DOL should record such discrepancies so that they can be properly calculated at the end of the year. Since this bank account covers both federally funded and state funded programs, a summary of the bank account balances, interest earned and banking costs must occur each year. This analysis is calculated by the Department of Labor each year and is furnished to F&M for inclusion in the annual interest report.

8.4 Refund Liabilities: The federal regulations give specific requirements for how states must handle refunds.

8.4.1 Refunds in general must be used to offset the subsequent drawdowns. Refunds that are over \$50,000 must be tracked and reported to F&M at the end of the fiscal year for interest calculations. A refund means funds that a State recovers that it previously paid out for Federal assistance program purposes. Refunds include rebates received from third parties.

8.4.2 For each refund, the State shall maintain information identifying:

1. Amount of refund
2. Date a refund is credited to a State account (date deposited)
3. Amount & date of scheduled draw w/corresponding expenditures total
4. Amount & date of actual draw (showing reduction by refund amount)

8.4.3 F&M must use the following methodology to calculate interest liabilities on refunds:

1. Date refund is credited to the State's bank account
2. Date of the subsequent deposit of federal funds against which the refund is offset
3. The amount of the refund

8.5 Exemptions: Any exemptions to interest tracking must be stated in the TSA. As described below, exemptions are possible, but must fall within federally-acceptable guidelines.

8.5.1 Where more than one State agency is a recipient of Federal funds under a program, a particular State agency's funding may be excluded from interest calculation procedures if the State agency receives an amount of funds less than 5% of the State's threshold for major Federal assistance programs. This section does not currently apply to the State of Vermont and no components of any covered program are exempt from CMIA guidelines.

8.6 State Interest Liabilities: The following covers all subsections of this part:

*The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.* The term "paid out for program purposes" means the date that the disbursement leaves the State's bank account, which may require the application of a clearance pattern to payment dates.

The following process and methods are used to calculate State interest liabilities:

The Department of Finance & Management uses VISION query data to generate daily cash balances for most non-AHS programs and calculates an interest liability for every day that the cash balance is positive. (Negative cash balances are generally ignored, and are further discussed in section 8.2.2.) These VISION queries take into account the average date of clearance and the payment method (ACH, Wire, etc.).

As described in section 8.2.2, AHS calculates interest owed and due for all of its programs. These spreadsheets are used by F&M in compilation of the annual interest report.

## **9.0 Reverse Flow Programs**

Reverse flow programs are programs for which the Federal Government makes payments on behalf of a state. For the State of Vermont, the Supplemental Security Income (SSI) program is considered a reverse flow program.

Section 9.0 of the TSA contains language describing the details of the payment and interest calculation process. All interest calculations are completed by the Social Security Administration and are forwarded to Vermont for inclusion in the annual interest report. This report is usually received by the State of Vermont in early December from John Harris at SSA ([John.R.Harris@ssa.gov](mailto:John.R.Harris@ssa.gov)).

## **10.0 Interest Calculation Costs**

Interest calculation costs offset any state interest liabilities and are reported on the annual interest report. Currently the costs of the Department of Finance & Management are the only costs claimed in this section each year. However, since some individual agencies maintain their own interest calculations, costs associated with this would be allowable if documented and submitted. If an agency or department that tracks its CMIA activity would like to pursue the future claim of these costs, they should contact the CMIA Coordinator.

10.1 The U.S. Department of Treasury reimburses the State of Vermont any costs associated with calculation of interest, and developing and maintaining clearance patterns in support of interest calculations. The State must justify any expenses over \$50,000. Interest calculation costs have averaged about \$4,000 during the past three years and have not required justification or documentation.

10.2 The State of Vermont typically expects to incur costs related to the development of clearance patterns and interest calculations. It only incurs costs associated with maintaining clearance patterns in the years in which those calculations must occur. There were no such costs in 2010 so none will be claimed on the 2010 annual interest report. It incurs costs pertaining to interest calculations each year.

10.3 The State will submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR §205.

## **11.0 Non-Compliance**

11.1 The provisions of 31 CFR Part §205.29 and 31 CFR Part §205.30 shall apply in cases of non-compliance with the terms of this Agreement.

## **12.0 Authorized Signatures**

The authorized officials for Vermont's TSA are named in section 1.0 of the TSA. When the TSA is finalized, two copies are generated and signed by the Commissioner of Finance & Management. These two original documents are sent to the US Treasury and signed by their authorized official. One copy is returned to the CMIA Coordinator so that both the State and the US Treasury have original copies on file.

## Appendix I

### Exhibit I - Funds Request and Receipt Times Schedule Vermont

|                                   |             |                                 |                     |
|-----------------------------------|-------------|---------------------------------|---------------------|
| Agriculture - FS                  | ACH         | 3:00 pm, EST                    | Next Day            |
| Agriculture - FNS                 | ACH         | 11:59 pm, EST                   | Next Day            |
|                                   | Fedwire     | 5:45 pm, EST                    | Same Day            |
| Commerce - NOAA                   | ACH         | 2:00 pm, EST                    | Next Day            |
| Education                         | ACH         | 3:00 pm, EST                    | Next Day            |
|                                   | Fedwire     | 2:00 pm, EST                    | Same Day            |
| Energy                            | ACH         | 4:00 pm, EST                    | Next Day            |
|                                   | Fedwire     | 3:00 pm, EST                    | Same Day            |
| EPA                               | ACH         | 2:00 pm, EST                    | Two Days            |
|                                   | Fedwire     | 2:00 pm, EST                    | Same Day            |
| HHS                               | ACH         | 6:30 pm, EST                    | Next Day            |
|                                   | Fedwire     | 3:00 pm, EST                    | Same Day            |
| HUD                               | ACH         | 6:00 pm, EST                    | Two Days            |
|                                   | Fedwire     | 3:00 pm, EST                    | Same Day            |
| Interior - FWS                    | ACH         | 6:30 pm, EST                    | Next Day            |
| Interior - OSM                    | ACH         | 11:59 pm, EST                   | Next Day            |
|                                   | Fedwire     | 5:45 pm, EST                    | Same Day            |
| Justice - OJP                     | Fedwire     | 2:00 pm, EST                    | Two Days            |
| Labor - UTF                       | ACH/Fedwire | 3:00 pm, EST/3:00 pm, EST       | Next Day/Same Day   |
| Labor - Non-UTF                   | ACH         | 3:00 pm, EST                    | Next Day            |
| National Science Foundation (NSF) | ACH         | 8:00 pm, EST                    | Next Day            |
|                                   | Fedwire     | 2:30 pm, EST                    | Same Day            |
| Social Security Administration    | ACH         | 11:59 pm, EST                   | Next Day            |
|                                   | Fedwire     | 5:45 pm, EST                    | Same Day            |
| Transportation (FTA)              | ACH         | 12:00 Noon, EST                 | Next Day            |
| Transportation (FAA)              | ACH         | 2:00 pm, EST                    | Next Day            |
| Transportation (FHWA)             | ACH/Fedwire | 12:00 Noon, EST/12:00 Noon, EST | Three Days/Same Day |
| Veterans Affairs                  | ACH         | 12:00 Noon, EST                 | Three Days          |
| Army National Guard               | ACH         | 12:00 Noon, EST                 | 15 Days             |
| Air National Guard                | ACH         | 12:00 Noon, EST                 | 15 Days             |
| Homeland Security - FEMA          | ACH         | 7:30 pm, EST                    | Next Day            |
| Homeland Security - TSA           | Fedwire     | 2:00 pm, EST                    | Same Day            |
| Homeland Security - OPO/GFAD      |             |                                 |                     |
| Interior - OIA                    | ACH         | 10:00 am, MST                   | Two Days            |
|                                   | Fedwire     | 10:00 am, MST                   | Two Days            |

## Appendix II

### Exhibit II - Vermont

#### LIST OF STATE CLEARANCE TIMES (Rounded Dollar-Weighted Average Day of Clearance) Clearance Times Where the Timing of A Draw Down Is Based on A Clearance Pattern

| CFDA   | Program Name   | Recipient   | %   | Component   | Technique  | Rounded days |
|--------|--|---|-----|---|--|--------------|
| 10.551 | Supplemental Nutrition Assistance Program                                  | AHS-Agency of Human Services                      | 9   | Payments to Providers/Clients/Grantees (Direct Deposit) | Actual Clearance, ZBA - ACH                                | 0 Days       |
| 10.551 | Supplemental Nutrition Assistance Program                                  | AHS-Agency of Human Services                      | 5   | Daily Payments to Providers/Clients/Grantees            | Bi-Weekly Actual   | N/A          |
| 10.551 | Supplemental Nutrition Assistance Program                                  | AHS-Agency of Human Services                      | 0   | Payments to Providers/Clients/Grantees-Checks           | Average Clearance  | 1 Day        |
| 10.551 | Supplemental Nutrition Assistance Program                                  | AHS-Agency of Human Services                      | 86  | EBT   | Actual Clearance, ZBA - Same Day Payment                   | 0 Days       |
| 10.555 | National School Lunch Program  | ED-Department of Education                        | 100 | Grantees  | Average Clearance  | 2 Days       |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children    | AHS-Agency of Human Services                      | 30  | Administrative Costs                                    | Payment Schedule-Quarterly Estimates-Payroll Cycle         | N/A          |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children    | AHS-Agency of Human Services                      | 70  | Payments to Providers                                   | Weekly Billing Cycle                                       | N/A          |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects          | Mil-Department of Military                        | 100 | Direct Administrative Costs                             | Prior Month's Actual                                       | N/A          |
| 14.228 | Community Development Block Grants/State's Program                         | ACCD-Agency of Commerce and Community Development | 99  | Grantees  | Actual Clearance, ZBA - ACH                                | 0 Days       |
| 14.228 | Community Development Block Grants/State's Program                         | ACCD-Agency of Commerce and Community Development | 1   | Direct Administrative Costs & Payroll                   | Direct Administrative Costs - Drawdowns on a Payroll Cycle | N/A          |
| 17.225 | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | DOL-Department of Labor                           | 50  | Unemployment Insurance - Federal Electronic Funds       | Actual Clearance, ZBA - ACH                                | 0 Days       |
| 17.225 | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | DOL-Department of Labor                           | 2   | Unemployment Insurance - Administration - Payroll       | Payment Schedule-Quarterly Estimates-Payroll Cycle         | N/A          |
| 17.225 | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | DOL-Department of Labor                           | 48  | Unemployment Insurance - Federal Funds Checks           | Average Clearance  | 4 Days       |
| 17.225 | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | DOL-Department of Labor                           | 0   | Unemployment Insurance - Administration - Other         | Payment Schedule-Quarterly Estimates-Other                 | N/A          |

| CFDA   | Program Name  | Recipient                                    | %   | Component   | Technique  | Rounded days |
|--------|---|--|-----|---|--|--------------|
| 17.225 | Unemployment Insurance -- State Benefit Account         | DOL-Department of Labor                      | 100 | Unemployment Insurance - State Funds                        | Average Clearance  | 5 Days       |
| 20.205 | Highway Planning and Construction                       | AOT-Agency of Transportation                 | 84  | Payments to Providers & Grantees                            | Weekly Actual Reimbursement                                | 6 Days       |
| 20.205 | Highway Planning and Construction                       | AOT-Agency of Transportation                 | 16  | Direct Administrative Costs and Payroll                     | Weekly Actual Reimbursement                                | N/A          |
| 66.458 | Capitalization Grants for State Revolving Funds         | DEC-Department of Environmental Conservation | 96  | Grantees  | Capitalization Grants for State Revolving Funds            | N/A          |
| 66.458 | Capitalization Grants for State Revolving Funds         | DEC-Department of Environmental Conservation | 4   | Administrative Costs  | Prior Month's Actual                                       | N/A          |
| 66.468 | Capitalization Grants for Drinking Water Revolving Fund | DEC-Department of Environmental Conservation | 25  | Administrative Costs  | Prior Month's Actual                                       | N/A          |
| 66.468 | Capitalization Grants for Drinking Water Revolving Fund | DEC-Department of Environmental Conservation | 75  | Grantees  | Capitalization Grants for State Revolving Funds            | N/A          |
| 84.01  | Title I Grants to Local Educational Agencies            | ED-Department of Education                   | 3   | Direct Administrative Costs                                 | Direct Administrative Costs - Drawdowns on a Payroll Cycle | N/A          |
| 84.01  | Title I Grants to Local Educational Agencies            | ED-Department of Education                   | 97  | Grantees  | Average Clearance  | 2 Days       |
| 84.01  | Title I Grants to Local Educational Agencies            | ED-Department of Education                   | 0   | Indirect Administrative Costs                               | Prior Month's Actual                                       | N/A          |
| 84.027 | Special Education -- Grants to States                   | ED-Department of Education                   | 88  | Grantees  | Average Clearance  | 2 Days       |
| 84.027 | Special Education -- Grants to States                   | ED-Department of Education                   | 2   | Indirect Administrative Costs                               | Prior Month's Actual                                       | N/A          |
| 84.027 | Special Education -- Grants to States                   | ED-Department of Education                   | 10  | Direct Administrative Costs                                 | Direct Administrative Costs - Drawdowns on a Payroll Cycle | N/A          |
| 84.367 | Improving Teacher Quality State Grants                  | ED-Department of Education                   | 3   | Direct Administrative Costs                                 | Direct Administrative Costs - Drawdowns on a Payroll Cycle | N/A          |
| 84.367 | Improving Teacher Quality State Grants                  | ED-Department of Education                   | 96  | Grantees  | Average Clearance  | 2 Days       |
| 84.367 | Improving Teacher Quality State Grants                  | ED-Department of Education                   | 1   | Indirect Administrative Costs                               | Prior Month's Actual                                       | N/A          |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 34  | Administration Costs  | Payment Schedule-Quarterly Estimates-Payroll Cycle         | N/A          |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 12  | Transfer to SSBG  | Payment Schedule-Quarterly Estimates-Payroll Cycle         | N/A          |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 0   | Foster Care Payments to Providers                           | Average Clearance  | 2 Days       |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 8   | Daily Payments to Providers/Clients/Grantees                | Bi-Weekly Actual   | N/A          |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 25  | Transfer to CCDF-Payments to Providers/Clients/Grantees     | Average Clearance  | 2 Days       |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 14  | EBT & Direct Deposit  | Actual Clearance, ZBA - ACH                                | 0 Days       |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 2   | Emergency Assistance Payments to Providers/Clients/Grantees | Bi-Weekly Actual   | N/A          |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 2   | Payments to Providers/Clients/Grantees - Checks             | Average Clearance  | 2 Days       |
| 93.558 | Temporary Assistance for Needy Families                 | AHS-Agency of Human Services                 | 3   | Transfer to CCDF-Administrative Costs                       | Payment Schedule-Quarterly Estimates-Payroll Cycle         | N/A          |
| 93.568 | Low-Income Home Energy Assistance                       | AHS-Agency of Human Services                 | 25  | Daily Payments to Providers/Clients/Grantees                | Bi-Weekly Actual   | N/A          |
| 93.568 | Low-Income Home Energy Assistance                       | AHS-Agency of Human Services                 | 65  | Payments to Providers and Clients                           | Actual Clearance, ZBA - ACH                                | 0 Days       |

| CFDA   | Program Name                      | Recipient                    | %   | Component                              | Technique  | Rounded days |
|--------|-----------------------------------|------------------------------|-----|--|--|--------------|
| 93.568 | Low-Income Home Energy Assistance | AHS-Agency of Human Services | 10  | Administrative Costs                   | Payment Schedule-Quarterly Estimates-Payroll Cycle | N/A          |
| 93.778 | Medical Assistance Program        | AHS-Agency of Human Services | 82  | Payments to Managed-Care Organizations | Actual Clearance, ZBA - ACH                        | 0 Days       |
| 93.778 | Medical Assistance Program        | AHS-Agency of Human Services | 17  | Payments to Providers-EFT              | Actual Clearance, ZBA - ACH                        | 0 Days       |
| 93.778 | Medical Assistance Program        | AHS-Agency of Human Services | 0   | Buy-in                                 | Actual Clearance, ZBA - ACH                        | 0 Days       |
| 93.778 | Medical Assistance Program        | AHS-Agency of Human Services | 1   | Administrative Costs                   | Payment Schedule-Quarterly Estimates-Payroll Cycle | N/A          |
| 96.006 | Supplemental Security Income      | AHS-Agency of Human Services | 100 | SSI                                    | Reverse Flow Program - SSI (CFDA 96.006)           | 1 Day        |